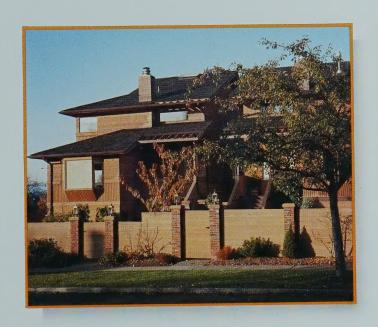
BBC REALTY INVESTORS 10th ANNUAL REPORT 1982







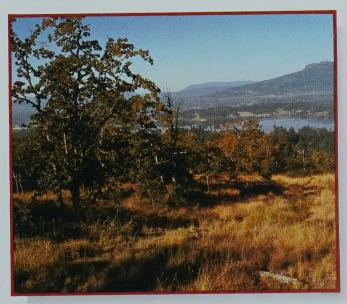


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Annual General Meeting of Unitholders will be held in the Park Ballroom, Four Seasons Hotel Vancouver, British Columbia Wednesday, March 23, 1983 11:00 a.m., Vancouver time

Top left: Residential construction, Vancouver, B.C.
Top right: Retail property, North Vancouver, B.C.
Bottom left: Commercial, industrial development, Calgary, Alberta
Bottom right: Residential subdivision, Vancouver Island, B.C.

BBC REALTY INVESTORS (AN UNINCORPORATED TRUST ESTABLISHED UNDER THE LAWS OF BRITISH COLUMBIA)

Financial Highlights As at December 31,

	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
Gross Income (thousands of dollars)	24,257	28,481	22,680	18,970	16,406	12,249	10,613	9,192	6,561	2,324
Net Income (thousands of dollars)	3,581	5,691	5,048	4,860	4,648	3,685	3,001	2,831	2,107	924
Income Distribution (dollars per unit)	1.36	2.13	1.92	1.85	1.80	1.70	1.58	1.49	1.24	0.86
Total Assets (thousands of dollars)	148,048	169,539	166,570	141,395	139,874	113,274	96,837	86,686	73,940	43,363
Equity and Retained Earnings (thousands of dollars)	29,210	29,198	29,109	29,109	29,109	26,655	20,464	20,364	20,355	10,300
Outstanding Commitments (thousands of dollars)	11,134	33,466	34,950	42,535	25,963	28,957	18,189	7,816	11,710	6,737
Number of Trust Units Issue and Outstanding (thousands) Number of Unitholders	2,624 4,378	2,624 4,938	2,624 5,360	2,624 5,559	2,624 5,882	2,419 5,250	1,903 4,279	1,895 4,024	1,894 3,931	1,090 2,546

Commercial property, Vancouver, B.C.



BBC REALTY INVESTORS President's Report

On the completion of the Trust's tenth year of operations it is gratifying to see that the growth and maturity developed over the years has enabled your Trust to profitably weather a most disastrous year in the real estate industry.

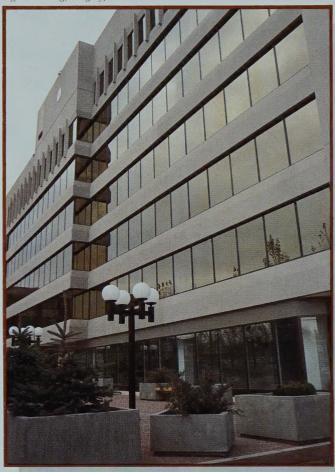
While net profits were down compared to the record profits of the year earlier, they were attained within the framework of a conservative method of income treatment as well as closely reviewing and limiting new investments.

1982 was a year in which little demand for funds for new development or property purchases existed. Those investment opportunities that were available were closely scrutinized with respect to value and debt servicing ability. Early in the year the Trustees ceased to consider any new construction loans. At year end the Trust was in a position where it had no exposure to non-completion of projects, as it closed out the year with no construction loans in the investment portfolio.

Emphasis on floating rate investments continued throughout the year with the result that the floating rate investments increased to 67% of the portfolio. This compares to 60% a year earlier. While floating rate mortgages generally shorten the average maturity of the portfolio they also generate a higher level of liquidity and tend to be more profitable.

Consolidated net income for the year was \$3,580,657 which compared to \$5,690,701 in 1981. Income distributions of \$1.36 per trust unit were consequently down from \$2.13 per trust unit a year earlier. The major reason for the decline in earnings and distributions resulted from the inability of several clients to meet their interest payments. This inability was directly a product of the economic conditions that prevailed throughout the year and was particularly prevalent in the last three quarters of the year. An amount which represents approximately 70¢ per trust unit was not taken into income in 1982 as a result of nonpayment by clients. While these funds have not been received they are owing to the Trust and all efforts are being made to recover these amounts from the value of the properties and from other sources. While we cannot assure Unitholders that all funds in this category will be recovered we are

Office building, Calgary, Alberta



optimistic that the underlying value of the security along with the covenant guarantees will provide for recovery of a significant portion of the delinquent payments outstanding.

A conservative approach to new business and the general downturn in the industry resulted in the Trust funding fewer investments than it received funds from paydowns on accounts. This resulted in a decline of total assets from \$169.5 million in 1981 to \$148 million at year end 1982, which again reduced the opportunities for earnings. While this is the first decline of assets since inception of the Trust, it was deemed prudent in the light of the economic times and the general health of the real estate industry.

In spite of the severe challenges faced throughout the year the Trust generated earnings and distributions which represent a 12.3% return on Unitholders' equity.

Expectations are that 1983 will be another difficult year for the real estate industry particularly with respect to new construction and the leasing of existing properties. These factors will continue to challenge the Trust in obtaining good new investment opportunities and managing the portfolio. On the optimistic side, declining interest rates are positive in terms of the ability of properties to better carry the mortgage costs. It is expected that an increased demand for fixed rate term mortgages could emerge as owners see interest rates at lower levels. It is also expected that renewed interest in purchasing properties may become evident where investors feel that market values have declined below replacement costs.

The Trust's objectives for 1983 are to:

- replace existing maturing investments with new investments
- expand the asset base where good opportunities are available

Apartment block, Vancouver, B.C.



- replace existing maturing investments with new investments
- expand the asset base where good opportunities are available
- continue the close monitoring of existing accounts and rectify delinquent accounts
- marginally increase the income producing property portion of the portfolio
- continue the past policy of matching similar types of investments with similar types of fundings.

On completion of the Trust's tenth year of operations we can review the contributions to the real estate community, creditors and investors with a good degree of pride. Over the period the Trust has provided funds to the real estate community in excess of one-half billion dollars. It has provided debt markets with quality investment opportunities, and it has generated \$36.2 million in distributions for a ten year average return of 14.7% on Unitholders' equity. These accomplishments could not have been achieved without the support and confidence of those we deal with or without the continued support of our Unitholders. In achieving these accomplishments, recognition and gratitude must also be given for the significant contributions made by the Trustees who have so generously provided their time and expertise. We also express our appreciation to a dedicated staff and management.

With the solid base established, the continued contributions of those involved and the support of the financial and real estate communities your Trust is well equipped for the challenge of the future.

Tip men

T.W. PILLEY, President

BBC REALTY INVESTORS "The Trust"

The Trust, an unincorporated trust established under the laws of the Province of British Columbia by a Declaration of Trust, began operations on January 2, 1973. The beneficial interests under the Declaration of Trust are divided into transferable units. The Trust units are transferable by endorsement and delivery in substantially the same manner as shares of Canadian companies and are traded on the Canadian stock exchanges.

The Trust was formed to provide investors with an opportunity to participate in income and gains through professional management of a diversified portfolio of real estate investments, including mortgages and equity investments in income producing properties.

The Trustees, on behalf of the Trust, have entered into a contract with the Bank of British Columbia, the Advisor to the Trust, under which the Advisor investigates, evaluates and recommends investment and financing opportunities to the Trustees and administers the Trust's affairs on a continuing basis. The Advisor has created a special department with a permanent staff to administer the day-to-day functions of the Trust.

The Advisor is compensated for its services, and is responsible for expenses of operation of the Trust other than those prescribed by regulatory bodies such as interest expense, financing costs, property ownership expense and Unitholder expenses, for which the Trust is responsible. As compensation for its services, an advisory fee is paid to the Advisor at the monthly rate of 1/8 of 1 percent of the invested assets of the Trust, with a maximum of 25 percent of net income before the advisory fee.

A fundamental policy of the Trust is to distribute substantially all the annual net income earned on a quarterly basis. Should there be a net realized capital gain, it may be reinvested, if suitable investment opportunities are available, or it may be distributed to Unitholders, at the discretion of the Trustees.

The Trust qualifies as a "unit trust" and also qualifies under Section 132(6) of the Income Tax Act (Canada) and so long as it so qualifies it is not taxed on any income that is distributed to Unitholders.

The Trustees

The responsibility for the Trust and the conduct of its affairs, including acquisition and disposition of Trust assets, is vested in the Trustees. The Trustees have designated an Investment Committee from among their number with authority to decide on all investments not exceeding five percent of the equity capital of the Trust. As required by the Declaration of Trust, a majority of the Trustees and the members of the Investment Committee are independent of the Bank of British Columbia, the Advisor to the Trust and its affiliates. Of the present 12 Trustees, 7 are not directors, officers or employees of the Advisor. The Declaration of Trust also requires that at least 50 percent of the Trustees voting on any investment decision must be independent of the Advisor and its affiliates.

The intention of the Trustees is to continue to develop a portfolio with a good mixture of real estate investments. The current portfolio composition is 74.3 percent first mortgage loans on residential, commercial and industrial properties, 21.5 percent in land, development and junior mortgage investments and 4.2 percent in income producing commercial property. In some cases investments carry participation or option agreements. It is also the Trustees' intention to continue to qualify the Trust for the maximum leverage allowed of five times equity invested by maintaining the necessary balance of qualified first mortgages.

The Officers

President Vice-President Vice-President Vice-President Assistant Vice-President Assistant Vice-President Assistant Vice-President Assistant Vice-President Assistant Vice-President Secretary Controller Portfolio Administrator

T.C. Brennen K.G. Isard R.J. McCracken S.J. Bayly B.H.D. Caple M.C. Mahan A.E. Miles-Pickup R.E. Wigmore R.J. Mair K.D. Browning S.E. Morgan

T.W. Pillev

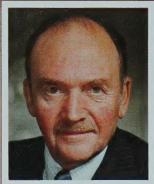
BBC REALTY INVESTORS Board of Trustees



T.W. PILLEY* President Chairman & Chief Executive Officer, Bank of British Columbia



A.J. BLOCK*
President, Block Bros. Industries Ltd.
Director, Bank of British Columbia
Director, Brinco



D.M. CLARK, Q.C. Partner, Clark, Wilson Director, Bank of British Columbia Director, Northwest Freeholds Ltd.



N.N. GREEN
President, Stewart, Green Properties Ltd.
President, California/Orange
Enterprises, Inc.
President, Stewart Green (Cayman) Ltd.



L. KAHN*†
President, Laurelton Investments Ltd.
President, Swansea Investments Ltd.



A.D. LAIRD† Chairman, Steel Brothers Director, British Columbia Place Ltd. Director, Hastings West



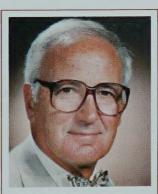
R.H. LEE*
President, The Prospero Group
President, Ormidale Holdings Ltd.
Director, Realwest Energy Corporation



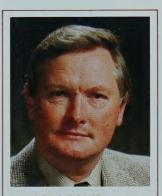
D.E. McGEACHAN*
President & Chief Operating Officer,
Bank of British Columbia



R.J. MAIR*† Secretary
Partner, Lawson
Lundel! Lawson & McIntosh



A.J. NAROD Chairman & Chief Executive Officer, British Columbia Place Ltd.



J.L. SCHLOSSER
President, Tri-Jay Investments Ltd.
Director, Bank of British Columbia
Director, Princeton Developments Ltd.



K.T. STEVENSON*
Chairman & Chief Executive Officer,
Stevenson Construction Co. Ltd.
Chairman, Pennyfarthing
Development Corp.

BBC REALTY INVESTORS Principal Types of Investments

BBC Realty Investors has been successful since inception because of its awareness of the need for responsive financial support for real estate developers and investors in Western Canada. Our western locations give us proximity to this market and familiarity with its intricacies. Our staff is available on a person to person basis enabling assessments and decisions to be made promptly.

Professional, full-time personnel are situated in Vancouver, Edmonton and Calgary to ensure the quality of service which our clientele have come to expect of BBC Realty Investors.

The structure of the Trust allows BBC Realty Investors to provide a full range of financial services to the real estate industry.

At the moment, our investment portfolio capacity is divided into eight major categories. Depending on the economic pattern, the weighing and terms of loans within each category will adjust to local and national conditions.

Highrise condominiums, Vancouver, B.C.



Residential

Loans on single family residential dwellings and apartment buildings account for a lesser portion of our investment portfolio now than in the past. Competition for these loans has increased while market demand and profitability has decreased. Loans of this variety are generally for a three to five year term with an amortization of up to 25 years and, unless insured, are not likely to exceed a loan-to-value ratio of 75 percent.

Commercial and Industrial

Commercial and industrial loans include mortgages on office buildings, shopping centres, and industrial properties. The loan-to-value ratio does not normally exceed 75 percent of the market value of the security, unless insured. Interest rates may be fixed or floating with a greater stress recently on floating rates to reduce risk by matching borrowings with floating rate fundings currently available in the marketplace. Terms have generally become shorter over recent years as long term funds have become scarce.

Construction Loans

The Trust may provide funds required to construct new projects. These funds are placed on a selective basis and are conservatively underwritten. In most cases, the interest rates float with the cost of funds. Strict underwriting guidelines are enforced to ensure the quality and safety of the investment.

In addition to the expertise of the Trustees and Officers, independent opinions are often sought regarding project feasibility. Independent appraisals are required in many instances, with onsite inspection work being carried out by the Advisor's staff, and project progress reports provided by professional engineers.

Our policy is to ensure that the owner's equity funds are in the project prior to our making advances, with adequate funds retained to complete the project.

Land and Development

Funds are provided for the acquisition of land and for installing services. The formula for loans of Warehouse and office complex, Burnaby, B.C.



this type is similar to other interim lending programmes, with the exception that the loan rarely exceeds 60 percent of the market value of the finished project. The size of the loan may be increased when the Trust is to participate in future profits.

Other Mortgage Investments

The Trust may invest in junior mortgages. Normally the total amount of indebtedness would not exceed the amount the property would support in a normal first mortgage situation. More specifically, the Trust would not make a loan of this type unless it was prepared to assume the entire debt.

Participation Investments

BBC Realty Investors is interested in participating in investments with experienced developers and investors. The Trust may finance up to 100% of the project costs in return for a portion of the ownership or profit. The investment can be structured in a variety of ways involving an existing building to be purchased, a new building to be constructed or land to be developed.

BBC Realty Investors brings strong financial and professional experience to any participation venture.

Real Estate Equity Investments

It is an objective of the Trust to seek equity investments in income producing properties such as apartment buildings, office buildings and commercial and industrial developments. These investments may be held directly or through wholly owned subsidiaries.

In certain cases, the Trust may assume existing indebtedness on properties in which it acquires an equity interest.

Purchase-leasebacks

Purchase-leasebacks are another type of investment considered by the Trust. In these cases, property may be purchased by the Trust which in turn enters into variable term leases, generally with the vendor.

Summary

While we have listed the principal types of investments currently occupying our energies and attention, this does not by any means exhaust the opportunities open to us on a day-to-day basis.

Our industry is one of constant change, with the need for continual innovation on the part of management. The Trust is alert to trends and possesses the managerial expertise, diversified skills and flexibility required to respond quickly to change.

BBC REALTY INVESTORS Consolidated Balance Sheet

As at December 31, 1982

	1982	1981
Assets		
Cash	\$ 1,100,288	\$ 1,401,689
Investments (notes 3 and 4)	140,360,534	163,577,330
Income producing properties (note 5)	6,169,338	3,762,014
Investment in and advances to affiliated companies (note 6)	93,431	82,122
Other assets	324,696	715,835
	\$148,048,287	\$169,538,990

Approved on behalf of the Trustees

T.W. Pilley, Trustee

R.J. Mair, Trustee

Liabilities	1982	1981
Accounts payable and accrued liabilities	\$ 219,173	\$ 227,270
Accrued interest payable	2,304,538	3,118,087
Income distribution payable (note 9)	813,417	1,403,801
Refundable commitment fees	150,170	213,910
Loans — Operating (note 11) — Short term (note 2) — Medium term (notes 2 and 7)	875,000 35,432,673 78,605,000	6,500,000 54,714,338 73,430,000
Unearned revenue	417,689	713,823
Deferred income taxes	20,750	20,000
	118,838,410	140,341,229
Unitholders' equity		
Trust units (note 8)	29,109,144	29,109,144
Retained earnings (note 9)	100,733	88,617
	29,209,877	29,197,761
	\$148,048,287	\$169,538,990

BBC REALTY INVESTORS Consolidated Statement of Income and Retained Earnings

For the year ended December 31, 1982

	1982	1981
Revenue		
Investment Income	\$23,693,947	\$28,121,358
Property and other income	563,099	359,747
	24,257,046	28,481,105
Operating expenses		
Interest	18,594,404	20,568,202
Advisory fee	1,189,513	1,867,361
Property operating expenses	186,156	34,394
Provision for losses (note 4)	364,709	100,000
Other	340,857	200,447
Provision for deferred income taxes	750	20,000
	20,676,389	22,790,404
Net income for the year	3,580,657	5,690,701
Distribution to unitholders (note 9)	3,568,541	5,602,084
Retained earnings — beginning of year	88,617	Nil
Retained earnings — end of year	\$ 100,733	\$ 88,617
Income per trust unit	\$ 1.365	\$ 2.169
Income distributed (note 9)	\$ 1.360	\$ 2.135

BBC REALTY INVESTORS Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1982

	1982	1981
Source of Cash		
Net income for the year	\$ 3,580,657	\$ 5,690,701
Add: Non-cash items —		
Provision for losses	364,709	100,000
Amortization of unearned revenue	(297,373)	(132,499)
Depreciation	25,744	3,385
Equity in earnings of 50%-owned companies Deferred income taxes	(11,309) 750	(69,347) 20,000
From operations Sale of land	3,663,178	5,612,240 1,053,963
Loans — operating	73,500,000	111,950,000
— short term	429,411,761	400,921,206
— medium term	53,000,000	27,416,000
Repayment of real estate mortgages	47,001,872	58,310,282
	606,576,811	605,263,691
Use of Cash		
Repayment of note	_	9,700,000
Investment in real estate mortgages	24,304,185	58,560,503
Income producing property	2,433,068	3,765,399
Distribution to unitholders (excluding income distribution		
payable of \$813,417; 1981 — \$1,403,801)	4,158,925	5,704,417
Loan repayments — operating	79,125,000	106,950,000
— short term— medium term	448,693,426 47,825,000	398,317,230 22,416,000
Net change of other assets and liabilities	338,608	302,096
The change of other assets and habitities	606,878,212	605,715,645
Decrease in cash for the year	301,401	451,954
Cash — beginning of year	1,401,689	1,853,643
Cash — end of year	\$ 1,100,288	\$ 1,401,689

BBC REALTY INVESTORS Notes to Consolidated Financial Statements

For the Year Ended December 31, 1982

1. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Trust and its wholly-owned subsidiary companies, REIT Properties Ltd. and KQX Realty Holdings Ltd.

Investments in 50%-owned companies, BBC-RI Services Ltd. and BBC Realty Investments Limited, are accounted for by the equity method.

The Advisor

The Advisor provides investment opportunities, serves as financial consultant and administers the day-to-day affairs of the Trust. For these services the Trust pays a monthly fee not in excess of 1/8 of 1% of invested assets, subject to an annual maximum of 25% of the net income of the Trust before deduction of the advisory fee.

Provision for Losses

The Trust makes specific provision for any losses anticipated on its loan portfolio by evaluating individual loans. The Trust also makes a general provision for possible loan losses.

Income per Trust Unit

Income per Trust unit is based on the number of Trust units outstanding on the quarterly record date of distribution.

Income Producing Properties

Income producing properties are carried at cost less accumulated depreciation. Depreciation is provided using the sinking fund method over 40 years. The sinking fund method provides for a depreciation charge of a fixed annual amount increasing at the rate of 5% per annum, which will result in the cost of the property being fully depreciated over its estimated useful life.

Income Taxes

The Trust conducts its affairs in a manner whereby it qualifies as a "unit trust" under the Income Tax Act (Canada). All of its taxable income is paid or payable to unitholders of record on December 31, 1982 and, accordingly, there is no provision for income taxes on income of the Trust.

Income taxes are provided at current rates on subsidiary operations. Deferred income taxes represent amounts deferred to future years due to the earlier deduction of certain expenses, principally depreciation, for tax purposes.

Notes (continued)

2. FINANCING AGREEMENT AND RELATED PARTY TRANSACTIONS

The Bank of British Columbia and the Trust are 50% shareholders in BBC-RI Services Ltd. (BBC-RI), and BBC Realty Investments Limited.

At the request of the Trust and under the terms of an agreement dated January 2, 1973, BBC-RI borrows money and lends the net proceeds of such borrowings to the Trust at substantially similar terms and conditions. The Trust guarantees all such borrowings and standby lines of credit (note 10) and BBC-RI has agreed not to incur any indebtedness for money so borrowed except with the consent of the Trust.

The Trust pays interest at a rate or rates sufficient to reimburse BBC-RI for interest paid or payable on all its borrowings for all its expenses plus an amount based on the level of indebtedness between the Trust and BBC-RI.

In 1982 there were no transactions between the Trust and BBC Realty Investments Limited.

	1982	1981
Transactions with BBC-RI: Loans outstanding — short term — medium term Interest paid during the year	\$ 35,432,673 57,605,000 15,670,005	\$ 54,714,338 65,430,000 18,875,223
3. INVESTMENTS	1000	1001
	1982	1981
Real estate mortgages: Construction, development and land loans Other mortgage loans Accrued interest	\$ 18,135,283	\$ 52,234,832 110,699,519 162,934,351 2,692,979
T A 11 (1 / A)	142,450,534	165,627,330
Less: Allowance for losses (note 4)	2,090,000 <u>\$140,360,534</u>	2,050,000 \$163,577,330
The real estate mortgages mature as follows:		
1983	\$115,663,165	
1984	10,016,180 4,535,523	
1985 1986	8,853,385	
1900 1987 and subsequent years	1,168,411	
170 and succequent years	\$140,236,664	

The Trust has entered into commitments for mortgage loans in the amount of \$11,134,000 which were not drawn down at the year end.

4. ALLOWANCE FOR LOSSES

	1982	1981
Balance — beginning of year	\$2,050,000	\$1,950,000
Add: Current year's provision for losses	364,709	100,000
	2,414,709	2,050,000
Less: Loan losses	324,709	Nil
Balance — end of year	\$2,090,000	\$2,050,000

5. INCOME PRODUCING PROPERTIES

		1982		1981
	Cost	Accumulated depreciation	Net book value	Net book value
Office building	\$3,798,467	\$29,129	\$3,769,338	\$3,762,014
Commercial building	2,400,000		2,400,000	
	\$6,198,467	\$29,129	\$6,169,338	\$3,762,014

Depreciation during the year amounted to \$25,744 (1981 - \$3,385). The commercial building was acquired during the latter part of the year, and accordingly no depreciation has been recorded.

6. INVESTMENT IN AND ADVANCES TO AFFILIATED COMPANIES

The investment in and advances to affiliated companies is as follows:

	1982	1981
Investment in BBC-RI Services Ltd.	\$85,093	\$74,131
Investment in BBC Realty Investments Limited	8,338	7,991
	\$93,431	\$82,122

7. MEDIUM TERM LOANS

Medium term loans mature as follows:

	Fixed	Floating	
	rate	rate	Total
1983	\$20,671,000	\$26,000,000	\$46,671,000
1984	1,608,000	15,200,000	16,808,000
1985		4,000,000	4,000,000
1986	10,126,000		10,126,000
1987		1,000,000	1,000,000
	\$32,405,000	\$46,200,000	\$78,605,000

Represented by \$57,605,000 with BBC-RI Services Ltd. (note 2) and \$21,000,000 with others.

Notes (continued)

8. TRUST UNITS

The number of Trust units authorized is unlimited and the amount issued and outstanding is as follows:

Issued and outstanding as at December 31, 1982 and 1981

Units 2,623,927

\$29,109,144

9. INCOME DISTRIBUTION AND RETAINED EARNINGS

The Trust has declared distributions quarterly throughout the year such that all net income of the Trust has been paid or is payable to unitholders.

	Distrib			
Date of record	Amount	Amount per trust unit outstanding	Trust units out- standing	
March 31, 1982 June 30, 1982 September 30, 1982	\$1,311,964 787,178 655,982	\$0.500 0.300 0.250	2,623,927 2,623,927 2,623,927	
December 31, 1982	813,417 \$3,568,541	0.310 \$1.360	2,623,927	

Retained earnings are the result of accounting for the investment in affiliates, BBC-RI Services Ltd. and BBC Realty Investments Limited, on the equity basis and the consolidation of REIT Properties Ltd., and KQX Realty Holdings Ltd., wholly-owned subsidiaries of the Trust.

10. THE TRUST GUARANTEES THE FOLLOWING:

- (a) Medium term promissory notes issued by BBC-RI Services Ltd., \$57,605,000.
- (b) Short term promissory notes issued by BBC-RI Services Ltd., \$35,432,673.
- (c) Standby lines of credit for BBC-RI Services Ltd. with Canadian chartered banks of \$36,500,000, none of which was utilized at December 31, 1982.

All proceeds of the above have been advanced to the Trust.

Notes (continued)

11. OPERATING LOANS

The Trust maintains operating lines of credit for \$9,500,000 of which \$875,000 was utilized at the year end.

Auditors' Report to the Unitholders

We have examined the consolidated balance sheet of BBC Realty Investors as at December 31, 1982 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Trust as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Coopers + hybrand

Vancouver, B.C. January 7, 1983

Chartered Accountants

BBC REALTY INVESTORS Management Report to the Unitholders

This Annual Report to the Unitholders of BBC Realty Investors, including the financial statements on pages 8 to 16 has been prepared by the management of the Trust and approved by the Trustees. The financial data included in the text of this report is consistent, to the extent applicable, with the financial statements and the underlying information from which these statements were prepared.

Management is responsible for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Trust maintains appropriate systems of internal controls, policies and procedures to ensure that its reporting practices and accounting and administrative procedures are of high quality, consistent with reasonable costs. The statements have been prepared utilizing accounting principles which we believe to be appropriate for the operations of the Trust.

Coopers & Lybrand, the Auditors appointed by the Trust, have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express to the Unitholders their opinion on the financial statements. Their report as auditors is set forth on page 16.

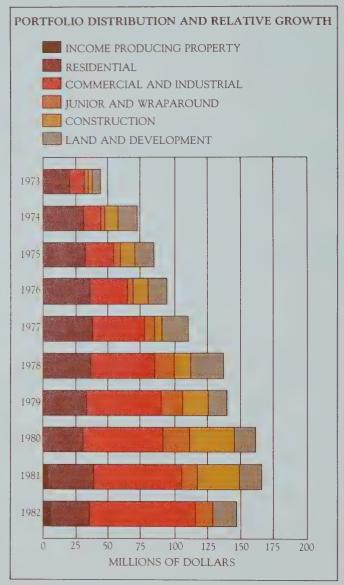
The statements have been further examined by the Board of Trustees and its Audit Committee whose members are listed on page 5 of this report. This Committee meets with the Auditors and management to review the activities of each and it reports to the Board of Trustees. The Auditors have full access to the Audit Committee.

Vancouver, B.C. February 8, 1983

T.W. Pilley, President

T.C. Brennen, Vice-President

BBC REALTY INVESTORS Operations Review



Assets

Total consolidated year end assets at December 31, 1982 declined from the prior year by \$21.5 million to \$148 million. This was largely due to the decrease in real estate construction activity during the year. The Trust traditionally has been active in construction lending with \$47.8 million or 29.3% of its portfolio consisting of first mortgages on construction, development and land loans at the beginning of the year. By year end this had dropped to \$17.8 million or 12.7% of the portfolio, of which construction loans did not represent any portion of the portfolio. First

mortgages on completed real estate increased by \$7.5 million to \$108.8 million. Within this category, residential loans decreased by \$5.9 million to \$28.3 million while commercial and industrial loans increased by \$13.3 million to \$80.5 million. Junior mortgage investments remained relatively unchanged with a modest \$.2 million reduction to \$13.6 million.

Average investments for the year were \$159 million which represents an average debt-to-equity ratio of 4.46:1. This is the same average debt-to-equity ratio which existed for 1981. At year end the investments of \$146.4 million represent a debt-to-equity ratio of approximately 4:1.

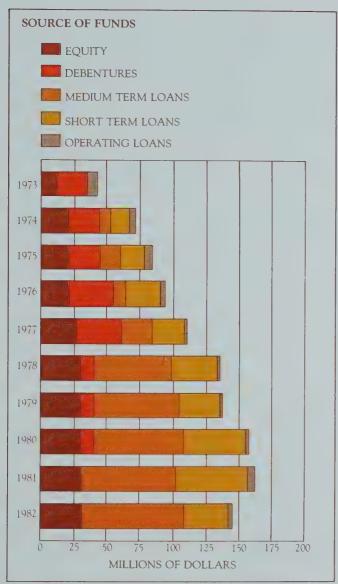
In 1982, mortgages totalling \$47 million were repaid and new advances of \$24.3 million were made. The comparable figures for 1981 were \$58.3 million and \$58.6 million, respectively. Many maturing fixed rate loans were rolled over at floating rates due to the unattractiveness of the high fixed interest rates that prevailed. Virtually no new fixed rate lending was undertaken during 1982.

In late December income producing property was increased by \$2.4 million with the purchase of a commercial building in Edmonton. The purchase was the product of negotiations with a client. The negotiations resulted in a cash payment to the Trust in addition to ownership of the property. The Trust acquired this property well below cost and is satisfied it has good potential for significant income and capital appreciation. This property will be transferred to REIT Properties Ltd., a wholly owned subsidiary, early in 1983. Over the longer term we anticipate that the income producing properties of the Trust, held through REIT Properties Ltd., will improve earnings for our Unitholders through increased income and capital appreciation. It is the Trust's intention to retain such properties as medium to long term investments.

Page 24 provides details of the mortgage portfolio and the weighted average yield. Additional information is contained in notes 3, 4 and 5 of the financial statements.

Financing

The Trust's policy is to fund floating rate mortgages with floating rate borrowings or equity



and to also utilize equity plus fixed rate borrowings, matched as to rate and term, to fund fixed rate mortgages and the acquisition of income producing property. This policy has eliminated, for the most part, interest rate sensitivity on earnings. While interest rates were high in 1982, on a historical basis they did not match the preceding year. The bank prime rate of 17½% at the beginning of the year, soon dropped to 16½%, then climbed to a high of 18¼% in June before a long decline to 12½% at year end.

Medium term borrowings at year end increased by approximately \$5 million over 1981 to \$78.6 million. 54% of the outstanding medium

term notes were at a fixed rate at year end 1981; 41% of the medium term notes were at fixed rates at the end of 1982. During the year, new medium term borrowings of \$53 million were made while \$47.8 million were repaid. All new borrowings were done at floating rates. Note 7 of the financial statements provides additional details of the medium term note maturities.

In 1982 gross short term borrowings increased by \$28.5 million to \$429.4 million. Repayments of \$448.7 million reduced net borrowings outstanding by way of short term notes to \$35.4 million at December 31, 1982. It is the Trust's policy to maintain back-up lines of bank credit to support short term borrowings. These back-up lines totalled \$36.5 million at year end.

Operating bank loans at December 31, 1982 decreased by \$5,625,000 to \$875,000. A total of \$73.5 million was borrowed with \$79 million being repaid in 1982. The reduced level of operating loans reflects the overall reduction in investment activity which prevailed in the latter part of the year.

BBC-RI Services Ltd., under a financing agreement with the Trust borrows money required to finance the Trust's portfolio and lends the net proceeds to the Trust. Funding is achieved by issuing short term notes with maturities up to 364 days, medium term notes with maturities of one to ten years, and debentures. BBC Realty Investors and the Advisor each own 50% of BBC-RI Services Ltd.

Over the years the Trust has endeavoured to follow a matched funding policy. The success achieved in this regard is shown on the graph on page 21.

Revenue

The Trust's consolidated gross revenues decreased from last year by \$4.2 million to \$24.3 million. A major factor in this decrease was the lower interest rates which prevailed during the year when compared with the historic high interest rates of 1981.

The interest income of \$23.26 million represents a 14.6% yield on average invested assets of \$159 million. Due to the decrease in new

business, this year's fee income of \$350,000 was approximately one-half of that earned last year. Bonus and participation income also reduced from \$196,000 to \$85,000 as most participation income was conditional upon property selling in excess of a predetermined price. Reduced sales experienced and the falling value in the real estate market in 1982 precluded most sales from meeting the price at which participation would occur. The property income earned by REIT Properties Ltd., a wholly owned subsidiary, increased to \$550,781 from \$172,791 in 1981. This reflects the first full year of operation for the Calgary office building. The net return of the building after deduction of property operating expenses of \$186,156 was \$364,625 which represents approximately a 10% return on the property. Page 22 and 23 provide a breakdown of revenues of the Trust for the past ten years.

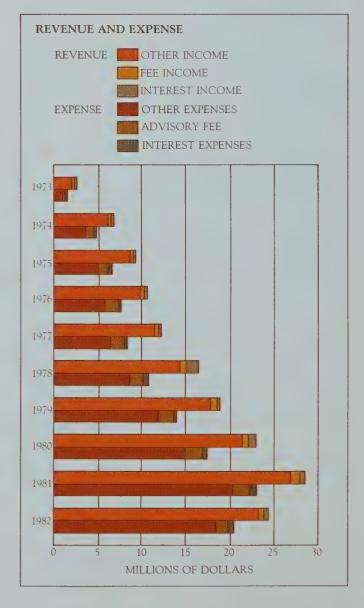
Expenses

Total expenses dropped by \$2.1 million from the prior year to \$20.7 million. The decrease in interest expense of \$2 million reflects lower average interest costs during 1982 compared to the prior year as well as a lower level of investments during the last half of the year. The decrease in the advisory fee paralleled the percentage decrease in net income as it relates directly to the net income of the Trust. Income producing property operating expenses increased by \$151,762 which reflects a full year of operation, whereas in the prior year the property was held only for a short period. The provision for losses has been included under the heading "Loss and Allowances for Losses" below. The increase in other expenses reflects higher transfer agent fees, professional costs in regard to the investment portfolio and delinquent accounts, Trustees' fees, and depreciation expense on income producing property. 1981 depreciation expenses in respect to this property were nominal. (See note 5 of financial statements.) Deferred income taxes in 1982 reflect the nominal taxable income for the year of the wholly owned subsidiary - REIT Properties Ltd.

Loss and Allowances for Losses

During 1982 the Trust experienced its first

losses since inception ten years ago. Losses were incurred on two loans in the amount of \$324,709. These loans were on residential projects and were unsuccessful due to the severe drop in residential values and no immediate recovery available from the covenants. As no future gain was apparent by repossessing and holding the properties, which would have incurred a loss in any event, the properties were sold and the shortfall was charged against the allowance for loss account. This account has been accumulated over the years and set aside for such occurrences. During the year the Trust increased the allowance for loss account, by applying \$364,709 from the current earnings. At



year end the allowance for losses stood at \$2,090,000.

It is the Trust's policy to make specific provision for any losses anticipated on its loan portfolio by evaluating individual loans. The Trust also makes a general provision for possible loan losses. Note 4 of the financial statements provides the activity of the allowance for losses account during the year.

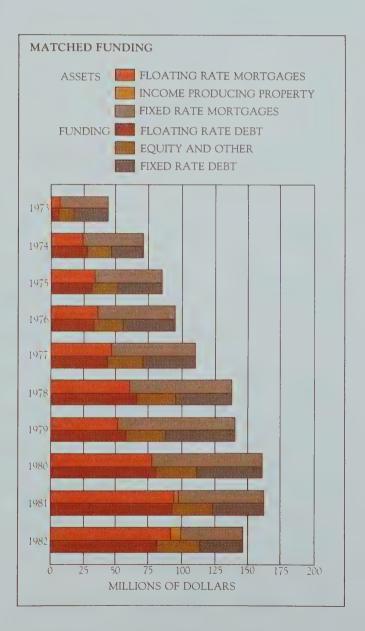
Earnings & Distribution

Consolidated net income for the year was \$3,580,657 or \$1.365 per trust unit. Approximately one-half cent per trust unit is attributed to the earnings of subsidiary and affiliate companies. \$1.36 per trust unit or \$3,568,541 was paid or payable during the year to Unitholders. The decrease in distributions from the historic high of \$2.135 per trust unit in 1981 can be attributed primarily to the delinquency experienced in collecting interest on certain loans. It is the Trust's policy to stop accruing interest on loans which are in arrears in excess of three months, or earlier if payments appear doubtful. This policy results in a conservative approach to recognition of income and prevents accruing income which is at risk or which may not be received for some time. Where delinquent loans are reinstated, a lump sum of previously unaccrued interest may often be received. These proceeds are taken into income in the period in which they are received and may be included in the next distribution to Unitholders. As of December 31, 1982 income not received amounted to approximately 70¢ per trust unit. Although the exact amount of eventual recoveries is unknown, the Trust is taking all remedies available against the value of the properties and covenant guarantees, where applicable, in order to collect amounts due.

The net profit of \$3.58 million represents a return on average invested assets of 2.25% and a return of 12.3% on Unitholders' equity for 1982. Based on the year end closing price of \$9.50 on the Stock Exchanges, units were trading at a 14.3% yield on the basis of 1982 distributions. Since inception, over the past ten years the Trust has paid distributions totalling approximately

\$15.96 per trust unit outstanding which represents an average return of 14.7% on Unitholders' equity. This compares well to the average Canadian inflation rate of 9.6% for the same period. The graph on page 23 provides the comparisons regarding the return on equity and average Canadian inflation rates.

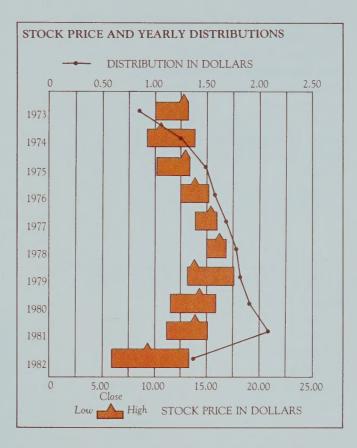
The accompanying graphs and statistical information on pages 22 and 23 provide comparative information on the Trust's earnings, distributions and related statistics since its inception in 1973.

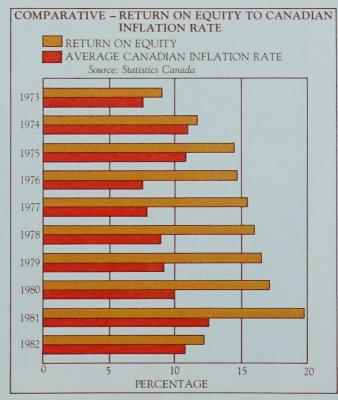


BBC REALTY INVESTORS Statistical Information As at December 31,

Mortgage Investments, Commitments and Income Producing Property (thousands of dollars)	1982	1981	1980	1979	1978
Mortgage investments Outstanding commitments Income producing property	140,237 11,134 6,169	162,934 33,466 3,762	162,684 34,950 —	138,646 42,535 ———————————————————————————————————	136,977 25,963 ————————————————————————————————————
Source of Funds (thousands of dollars)	<u>157,540</u>	200,162	197,634	181,181	162,940
Operating loans Short term loans Medium term loans Note due August 15, 1978	875 35,433 78,605	6,500 54,714 73,430	1,500 52,110 68,430	100 31,884 65,375	200 36,875 59,275
Note due July 31, 1981 Equity and retained earnings	29,210 144,123	29,198 163,842	9,700 29,109 160,849	9,700 29,109 136,168	9,700 29,109 135,159
Revenue (thousands of dollars)	22.250	27 101	21 402	17.010	14 507
Interest income Fees Bonus interest, participation and other income Sale of property option Income of subsidiaries and affiliates	23,259 350 85 — 563	27,181 744 196 — 360	21,483 592 105 500	17,918 881 171	14,597 473 334 1,002
Expenses	24,257	28,481	22,680	18,970	16,406
(thousands of dollars) Interest	18,594	20,568	15,284	12,206	8,967
Advisory fee Property operating expenses Provision for losses Other Provision for deferred income taxes	1,190 186 365 340	1,867 34 100 201 20	1,683 500 164	1,620 — 100 184	1,549 — 1,000 242
	20,676	22,790	17,631	14,110	11,758
Earnings and Distribution on Outstanding Trust Units					
Outstanding trust units (in thousands) Net earnings (thousands of dollars) Distribution (thousands of dollars) Net earnings per trust unit (dollars) Distribution per trust unit (dollars) Return on equity (percent) Return on invested assets (percent)	2,624 3,581 3,569 1.365 1.360 12.3 2.25	2,624 5,691 5,602 2.169 2.135 19.5 3.58	2,624 5,048 5,048 1.924 1.924 17.3 3.25	2,624 4,860 4,860 1.852 1.852 16.7 3.54	2,624 4,648 4,648 1.803 1.803 16.3 3.72
Market Statistics of Units Price range of units — High (dollars) Low (dollars) Price earnings range — High Low	13% 6 9.80:1 4.39:1	15¼ 11¼ 7.03:1 5.19:1	16 11% 8.33:1 6.05:1	17¾ 13½ 9.6:1 7.3:1	17 15 9.4:1 8.3:1

1977	1976	1975	1974	1973
110,695 28,957	95,157 18,189	85,004 7,816	72,664 11,710	42,474 6.737
			11,710	6,737
139,652	113,346	92,820	84,374	49,211
950 23.877	3,375	6,200	4,950	7,500
23,877 24,361	23,932 12,091	19,188 14,350	14,449 8,000	24.220
24,338 9,700	24,338 9,700	24,338	24,338	24,338
26,655 109,881	<u>20,463</u> <u>93,899</u>	20,363 84,439	<u>20,355</u> 72,092	<u>10,300</u> <u>42,138</u>
11 400	10.050	0.767	(211	2.115
11,488 552	10,058 440	8,767 246	6,211	2,115 162
209 —	115	179	120	47 —
12,249	<u> </u>	9,192	6,561	
				=======================================
7,090 1,228	6,387 1,000	5,152 944	3,652 702	1,025 308
100	100	 150	_	_
145	125	115	100	67 —
8,563	7,612	6,361	4,454	1,400
2,419	1,903	1,895	1,894	1,090
3,685 3,685	3,001 3,001	2,830 2,830	2,107 2,107	924 924
1.701 1.701	1.580 1.580	1.494 1.494	1.248 1.248	.8604 .8604
15.6 3.58	14.7 3.39	13.9 3.57	11.7 3.77	9.2 3.57
			3.11	
10	151/	122/	1.41/	121/
16 14½	15¼ 12½	13% 10¼	14½ 9½	131/4
9.4:1 8.3:1	9.7:1 7.9:1	9.0:1 6.9:1	11.3:1 7.6:1	15.3:1 11.6:1





BBC REALTY INVESTORS Mortgage Portfolio Composition

Interior

ALBERTA

Vancouver Island

Northern Alberta

Southern Alberta

As at December 31, 1982	,			Total	Weighted Average Yield
First Mortgages on Com	pleted Real Esta	ate			Iieid
Residential			\$28,331,198		
Commercial and Industri	al ·		80,512,845	\$108,844,043	13.75%
First Mortgages on Con-	struction,				
Development and Land	Loans				
Construction			Nil		
Land and Development			\$17,810,256	\$ 17,810,256	14.75%
Junior Mortgages on Co	mpleted				
Real Estate and Constru	ction				
Residential			\$ 1,971,428		
Commercial and Industri	al		11,609,937		
Construction			Nil	\$ 13,582,365	15.49%
e e				\$140,236,664	14.04%
The mortgage portfolio	consists of investr	ments	The investments	mature as follows:	
throughout British Columb			(thousands of dol		
BRITISH COLUMBIA			1983		\$115,663
Lower Mainland	\$ 44,638	31.8%	1984		\$ 10,016
LOTTEL TIMELIMINE	Ψ 11,050	31.070	1005		A 1 = 2 =

5.7

7.9

30.1%

24.5

100.0%

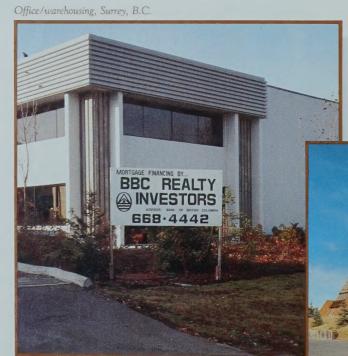
67% of the above investments have rates which are subject to changes with the bank prime rate. The bank prime rate was 12.5% at December 31, 1982.

The above rates do not reflect the additional revenues received from fees, bonus interest, participation and other income.

1985

1986

1987 and subsequent



7,795

10,878

\$ 42,217

\$140,237

34,409

Townhouse condominiums, Calgary, Alberta

4,535

8,853

1,168

BBC REALTY INVESTORS

Advisor

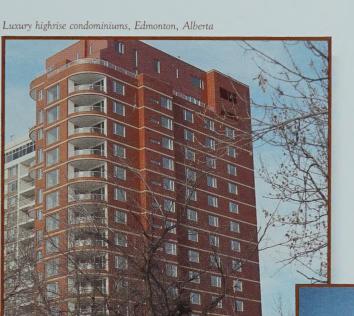
Bank of British Columbia #1725 - 555 Burrard Street Vancouver, British Columbia

Legal Counsel

Lawson, Lundell, Lawson & McIntosh Vancouver, British Columbia

Auditors

Coopers & Lybrand Vancouver, British Columbia



Securities Listings

Montreal Stock Exchange Toronto Stock Exchange Vancouver Stock Exchange

Unit Registrar and Transfer Agent National Trust Company, Limited Vancouver, British Columbia

Stock Symbol BBT un



Vancouver — Bentall Centre #635 - 555 Burrard Street Vancouver, British Columbia V7X 1K1 (604) 668-4442 Edmonton — Edmonton Centre #2110 - 10235 - 101st Street Edmonton, Alberta T5J 3G1 (403) 423-5602 Calgary — Daon Building #430 - 444 - 5th Avenue S.W. Calgary, Alberta T2P 2T8 (403) 261-6030